

Message Text

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TO AMEMBASSY BERN PRIORITY

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E.O. 11652: N/A

TAGS: CFED, EFIN, SZ

SUBJECT: SEC ACTION AGAINST AMERICAN INSTITUTE
COUNSELORS AND OTHERS

1. THE SEC FILED A CIVIL SUIT EARLIER THIS WEEK IN THE U.S DISTRICT COURT FOR THE DISTRICT OF COLUMBIA AGAINST AMERICAN INSTITUTE COUNSELORS, INVESTMENT ADVISORY FIRM IN GREAT BARRINGTON, MASSACHUSETTS AND THE AMERICAN INSTITUTE FOR ECONOMIC RESEARCH LINKED TO AIC AS WELL AS THEIR FOUNDER EDWARD C. HARWOOD, A NUMBER OF FIRMS INCORPORATED AND DOING BUSINESS IN SWITZERLAND AND/OR LIECHTENSTEIN AND OTHER INDIVIDUAL DEFENDANTS.

2. THERE ARE A NUMBER OF CHARGES IN THIS COMPLEX CASE BUT THE MAIN POINT IS THE FRAUDULENT AND OTHERWISE ILLEGAL SALE OF SOME \$280 MILLION OF UNREGISTERED SECURITIES TO US INVESTORS "IN VIOLATION OF VIRTUALLY THE ENTIRE PANOPLY OF FEDERAL SECURITIES LAWS." THE SWISS CREDIT BANK IS
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ALSO NAMED AS A DEFENDANT IN THE CASE AND IS ALSO THE

SUBJECT OF A SPECIAL ORDER TO DELIVER ASSETS LOCATED IN ITS SWISS BRANCHES TO ITS NEW YORK BRANCH.

3. MONDIAL COMMERCIAL LTD. - A LIECHTENSTEIN CORPORATION, THE PROGRESS FOUNDATION - A SWISS CORPORATION, MONTE SOLE, S.A. SWISS LIFE INSURANCE AND PENSION COMPANY, BOTH SWISS CORPORATIONS, AND WERTREG, A LIECHTENSTEIN CORPORATION, ARE ALL CONNECTED WITH OR CONTROLLED BY EDWARD HARWOOD OR HIS SON WILLIAM HARWOOD, BOTH AMERICAN CITIZENS. EDWARD HARWOOD AND MOST OTHER INDIVIDUALS NAMED IN THE ACTION ARE CURRENTLY RESIDENT IN SWITZERLAND. TEMPORARY RESTRAINING ORDERS ON A NUMBER OF MATTERS HAVE BEEN ISSUED AGAINST ALL THE DEFENDANTS. THESE TEMPORARY RESTRAINING ORDERS HAVE ALREADY BEEN MAILED TO THOSE DEFENDANTS RESIDENT IN SWITZERLAND.

4. AMERICAN INSTITUTE COUNSELORS HAS ARRANGED TO ACQUIRE CONTROL OF THE ASSETS OF MONDIAL FROM PROGRESS FOUNDATION BY TERMINAL DATE OF DECEMBER 8, 1975. THE BULK OF THE ACTIONS AUTHORIZED BY THE FEDERAL DISTRICT COURT IN WASHINGTON IN CONNECTION WITH THIS CASE ARE DESIGNED TO PRESERVE THE INTEGRITY OF REMAINING ASSETS UNTIL A CONTROLLED AUDIT BY A SPECIAL COUNSEL APPOINTED BY THE COURT CAN EXAMINE THE ASSETS. THE SEC HAS TAKEN THESE STEPS IN THE FEAR THAT REDEMPTION OF SECURITIES BY SOME INVESTORS MAY TAKE PLACE PRIOR TO DECEMBER 8 AND THE POSSIBILITY THAT ASSETS ALLEGEDLY HELD BY THE INSTITUTE MAY SIGNIFICANTLY FALL SHORT OF THE AMOUNTS SUPPOSED TO BE AVAILABLE. THERE IS EVIDENCE OF SUBSTANTIAL FRAUD ON THE PART OF THE INDIVIDUAL PARTIES SUBJECT TO THIS COMPLAINT AND THIS ATTEMPT TO PREVENT FURTHER DISSIPATION OF THE ASSETS IS AN EFFORT TO PROTECT U.S. INVESTORS.

5. THERE ARE OBVIOUSLY SOME FACTORS WHICH WILL EXCITE OR IRRITATE THE SWISS IN THE ACTION, INCLUDING THE NAMING OF SWISS ENTITIES IN THE ACTION, THE MAILING OF TEMPORARY RESTRAINING ORDERS TO FIRMS AND INDIVIDUALS IN SWITZERLAND AND THE ORDER TO THE SWISS CREDIT BANK IN NEW YORK TO TRANSFER THE ASSETS LOCATED IN SWITZERLAND TO NEW YORK. ON THE OTHER HAND, THERE ARE MITIGATING LIMITED OFFICIAL USE

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CIRCUMSTANCES WHICH RELATE TO THE NECESSITY TO PRESERVE INTACT AS MANY OF THE ASSETS AS POSSIBLE, COMBINED WITH THE FACT THAT AMERICAN INSTITUTE COUNSELORS AND THE AMERICAN INSTITUTE FOR ECONOMIC RESEARCH HAVE BOTH CONSENTED TO THE PERMANENT INJUNCTION AND AGREED TO THE TRANSFER OF THE ASSETS FROM THESE INSTITUTIONS IN SWITZERLAND TO THE UNITED STATES BY DECEMBER 8 WHERE THEY WILL FALL UNDER THE CONTROL OF THE SPECIAL COUNSEL

APPOINTED BY THE COURT. THE ASSETS INVOLVED COULD RUN UP TO \$250 MILLION ALTHOUGH COUNSEL FOR THE AMERICAN INSTITUTE COUNSELORS IS QUOTED AS SAYING THAT SUCH ASSETS HELD BY THE SWISS BANK CURRENTLY TOTAL \$150-200 MILLION

6. YOU ARE INSTRUCTED TO INFORM THE SWISS AT A HIGH LEVEL IN BOTH THE FEDERAL POLITICAL DEPARTMENT AND THE FEDERAL

DEPARTMENT OF JUSTICE AND POLICE OF THE ABOVE. YOU MAY INDICATE THAT COPIES OF THE CHARGES AND COURT ORDERS ARE BEING TRANSMITTED TO YOU BY AIR POUCH AND THAT YOU WILL MAKE THESE FURTHER DETAILS AVAILABLE UPON THEIR RECEIPT.

7. YOU SHOULD FURTHER INDICATE THAT WE WOULD HOPE FOR INFORMAL SWISS COOPERATION IN ASSURING THAT THE ASSETS INVOLVED ARE NOT DISSIPATED. WHILE THIS IS A CIVIL ACTION FILED BY THE SEC, WHICH THE SWISS HAVE IN THE PAST SHOWN GREAT AVERSION TO, IT SEEMS TO US CLEAR EVEN ON THE BASIS OF THE LIMITED DATA PROVIDED IN THE COMPLAINTS, THAT MAJOR VIOLATIONS OF SWISS BANKING AND SECURITIES LAWS MAY ALSO HAVE OCCURRED. THE UNITED STATES GOVERNMENT DOES NOT BELIEVE THE SWISS GOVERNMENT WOULD WISH IN ANY WAY TO APPEAR TO COUNTENANCE THE USE OF SWISS TERRITORY, LAW, OR FACILITIES IN THE MASSIVE FRAUD WHICH HAS BEEN PERPETRATED BY THE DEFENDANTS IN THIS CASE.

8. YOU SHOULD SPECIFICALLY NOTE THAT OUR EFFORT IN SUPPLYING THIS INFORMATION AT THIS TIME IS MEANT TO BE A FORMAL ALERT TO SWISS AUTHORITIES THAT THE FACTS EMERGING FROM THIS CASE MAY ALSO CONSTITUTE VIOLATIONS OF SWISS LAWS AND THAT SWISS AUTHORITIES SHOULD BE GUIDED ACCORDINGLY.

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9. SHOULD THE SWISS AUTHORITIES FEEL THAT THEY WOULD WISH FURTHER CONSULTATIONS ON THE BACKGROUND OF THIS CASE THE SEC IS PREPARED TO DISCUSS THE ISSUES FURTHER WITH SWISS OFFICIALS EITHER HERE OR IN BERN AT VERY SHORT NOTICE.

10. REPORT. KISSINGER

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